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Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 25, No. 42 | Published every Monday by Lebhar-Friedman Inc., $3 per issue | October 28, 1991

JB's reins in family dining

Plans to ride growing Sbarro, HomeTown units

by Bill Carlino

SALT LAKE CITY — Bruised by soft sales and unit saturation in several markets, JB's Restaurants Inc. has braked expansion of its family-dining concept, opting instead to grow through Sbarro franchises and its most recent development vehicle, HomeTown Buffet — a midscale, all-you-can-eat operation.

"It came down to a choice of either building more JB's Restaurants or strengthening the in-store volumes in existing units," said Fred Gonzales, president and chief operating officer of the 136-unit JB's Restaurants Inc. "So we decided to hold off JB's expansion for one year and looked for possibilities in terms of other concepts. We saw a lot of potential in HomeTown Buffet."

JB's subsequently paid $3.8 million in exchange for a c t in Ameri- I ment Group e go-based par- c HomeTown s , JB's will be- c t individual M G Inc. Ameri- t r ates three z nits, a casual- ıse. JB's will me a McKen- e. erms of the age 75)

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Chef Francisco Cisneros of Salud! in San Francisco displays some of his specialty dishes in the exhibition kitchen.

Latin-Mexican mania takes restaurateurs by storm in Bay Area

by Alan Liddle

SAN FRANCISCO — Much of the energy emanating from this highly competitive city in recent months has been generated by the owners of contemporary Mexican and Latin restaurants who have either opened new units or repositioned others to grab a bigger share of the market.

The active niche claims a wide range of concepts, from Campo Santo, an ambitious semiservice taqueria, to Garibaldi Goes South, a stylish new cafe, to such high-style full-service restaurants as Salud! and Corona Bar & Grill.

"We struggled to find a *(See MEXICAN, page 4)*

NAFEM '91: A showcase for efficiency

New equipment, trends herald era of speed, consistency, lower costs

by Patt Patterson

ATLANTA — Technology that facilitates faster, more consistent cooking, lower utility bills and far less opportunity for operator-caused errors in preparation highlighted the National Association of Food Equipment Manufacturers biennial exposition held here.

Induction heating, infrared heating, diagnostics, digital readouts, lower atmospheric heat loading and versatility were some of the buzz phrases heard constantly on the exhibit floor of the Georgia World Congress Center at NAFEM '91.

The largest U.S. exhibition of its kind, with more than 600,000 square feet of exhibits, the four-day show drew operators, foodservice consultants, dealers and distributors, manufacturers' agents, and a contingent of international buyers here to see the latest developments in equipment and supplies.

The 600-plus exhibitors didn't disappoint their audience. There was a host of new products and new trends designed to help operators achieve lower operating costs; faster, surer preparation; and better control of preparing, handling and storing food.

And for the first time, a De-

NAFEM/91 TENTH SHOW
October 12-15, 1991 Atlanta, Georgia
Exhibition & Seminar

sign Center featured the work of well-known front-of-the-house designers in vignettes utilizing equipment and supplies from the show's exhibitors. Although furniture and fixture companies have always exhibited at NAFEM, this new, separate exhibit highlighted the impact of decor.

But the back-of-the-house was still the main interest of *(See NAFEM, page 7)*

s copes with aftermath of tragedy

Photo courtesy of AP/Wide World Photos

Police gather outside Luby's Cafeteria in Killeen, Texas.

After shootout in Texas unit, cafeteria operator faces harsh glare of publicity

by Peter Romeo

KILLEEN, Texas — As investigators try to explain why a 35-year-old man crashed into a Luby's unit here and murdered 22 of its patrons, the cafeteria chain is grappling with a potential public-relations nightmare.

For 44 years Luby's Cafeterias strived to position its restaurants as neighborly places offering home-style food in a comfortable setting. And in one night the operator is reintroduced to millions of Americans as host of the worst multiple shooting in American history.

"Obviously [Luby's] didn't do anything wrong; they were just the ones singled out for a tragedy," said Thomas E. Eppes, a crisis-management specialist for Price/McNabb Public Relations in Asheville, N.C. "So people aren't going to blame them. But they're going to remember that it happened at that restaurant."

"This is a tragedy that happened to take place on our premises, and people are going to understand that," said Vernon Schrader, Luby's vice president of marketing. "We know that *(See LUBY'S, page 74)*

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Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, P.O. Box 31179, Tampa, Fla. 33631-3179.

For change of address, please write Subscription Dept., Nation's Restaurant News, P.O. Box 31179, Tampa, Fla. 33631-3179.

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Vol. 25, No. 42 October 28, 1991

NEWS BRIEFS

Brinker Int'l opens steak house

HOUSTON — Brinker International, operator of the Chili's, Regas and Romano's Macaroni Grill dinner-house chains, has opened a new midscale steakhouse concept here.

However, the Dallas-based company insists that the new venture is merely a research site, where products for its other concepts can be tested.

Called the Border Stop Steak House, the restaurant was converted from a Chili's unit on a site that the company is bound by a lease to occupy. It seats 200 and features four to five signature steaks. Checks average $8 to $9.

"It's live R & D [research and development] work," said Lane Cardwell, Brinker's senior vice president of strategic development. "It gives us a chance to test items we are considering for Chili's and Regas Grill."

In other company news, Brinker has decided to change the name of its Grady's Goodtimes and Regas concepts to Grady's American Grill. Brinker has seven of each and decided to change to the Grady's name after consumers had difficulty pronouncing the Regas name.

Menu price inflation eases in September

WASHINGTON — Menu prices charted a 3.2-percent year-to-year gain in September, slowing from August's and July's respective 3.3-percent and 3.4-percent rates of increase, according to the U.S. Labor Department's monthly gauge of inflation, the consumer price index.

When September's 4.1-percent gain in restaurant sales is discounted against the 3.2-percent rise in menu prices, the figures suggest that customer traffic apparently rose 0.9 percent, for the second lowest monthly rise this year.

Overall, the CPI rose on an annual basis by 3.4 percent.

Meanwhile, supermarket prices, or the food-at-home component of the CPI, was up 1.5 percent in September, continuing a three-month downward slide.

BK adds burrito as limited-time breakfast item

MIAMI — Burger King is rolling out a breakfast burrito as a limited-time promotional item.

The product is a variation on a burrito that units in the Southwest have been offering for four years. However, that version was offered for lunch and dinner rather than for breakfast.

BK's breakfast burrito will be promoted only via in-store materials.

The new burrito was recently introduced in the Northeast as the next phase of a systemwide rollout.

Taco Bell challenges McD in LA breakfast rollout

by Richard Martin

IRVINE, Calif. — Taco Bell has launched a 10-item breakfast menu featuring 39-cent and 59-cent prices at 252 Los Angeles-area restaurants, a move marking the "value" trend-setter's long-awaited incursion into the McDonald's-dominated daypart.

The Oct. 23 rollout included a 39-cent Fiesta breakfast burrito of sausage, potato, cheese and salsa; 59-cent egg and cheese burritos with sausage or bacon; and a 79-cent Grande burrito with egg, sausage, potato, cheese and salsa. A sandwich of egg, Canadian-style bacon and cheese on a toasted English muffin sells for 99 cents, which Taco Bell compared with the typical $1.49 price of a purportedly identical Egg McMuffin at McDonald's.

"McDonald's has done a lot for us" and "has been a godsend," said Taco Bell president John Martin, asserting his chain's potential for carving out a sizable slice of the morning market pioneered by the burger chain.

Other items on Taco Bell's breakfast lineup are 39-cent hash browns, 59-cent caramel rolls, 39-cent and 59-cent sizes of coffee and orange juice and 59-cent low-fat milk. According to Martin, the overall menu meets the company's objectives of being "portable, affordable and fast."

He said point-of-purchase pitches will be the sole means of promotion during a three-month introductory period, which would be followed by a month of electronic marketing devoted to breakfast. He declined to reveal a possible timetable for expansion of the menu beyond Taco Bell's 300-unit Los Angeles market.

CRA, police fight state liquor law enforcement cuts

LOS ANGELES — The California Restaurant Association has joined a coalition of beverage makers and retailers opposed to Gov. Pete Wilson's proposed layoffs of more than two-thirds of the state's liquor law enforcement officers.

Police officials from across California also voiced opposition to Wilson's plan for a 23-percent reduction in the $23 million annual budget of the state Alcohol Beverage Control department, whose officers often work with local police on drug- and alcohol-related "stings" at bars and restaurants. The budget cut would eliminate 134 of the ABC's 197 investigators and leave the remaining 63 to oversee 72,047 licensed businesses, including 30,955 foodservice establishments.

Thomas Aldrich, vice president of Anheuser-Busch and a representative of the coalition, told a legislative committee in Sacramento that enforcement cuts would be "bad for business." State Assemblyman Richard Katz asserted that many bars "are selling as much or more drugs as liquor" and said layoffs at the ABC would impede efforts to shut down those operations and lead to increased drunk driving and alcohol abuse by teens.

Ore. video poker upheld in court, but restaurateurs expect new threat

WILSONVILLE, Ore. — A Multnomah County Circuit Court judge has dismissed a lawsuit challenging the legality of video poker, but Oregon Restaurant Association officials said they fear gambling opponents will turn to the initiative process to block the start of state-run games.

"We won, but I have to think they [video poker opponents] will probably focus toward an initiative," remarked Michael McCallum, ORA's director of government relations.

Oregon lawmakers earlier this year approved ORA-sponsored legislation that empowered the state lottery commission to oversee a network of video poker machines in retail outlets and taverns. ORA said the games would bring in much needed revenues for its tavern-owning members.

Soviet leaders eye ways to make rubles convertible

BANGKOK, Thailand — In a boon for U.S. foodservice operators eyeing opportunities in the Soviet Union, Soviet leaders have reportedly asked seven leading industrialized nations to help develop a means for converting rubles into other currencies.

At present, the U.S.S.R.'s currency cannot be exchanged for the monies of other nations, a situation that forces U.S. operators with units in the Soviet Union to use roundabout ways to bring their profits home. For instance, PepsiCo's Soviet enterprises convert their rubles into Stolichnaya, import the vodka into the United States and then sell it here for dollars.

At a meeting here of the world's seven major capitalist nations, known collectively as the Group of Seven, Soviet leaders reportedly asked the industrial giants to provide a funding pool to facilitate the ruble's transformation into a convertible money.

The Dow Jones news service said it obtained a copy of the request.

FINANCIAL NEWS

An Oklahoma City-based Sonic Drive-In unit.

Sonic's income soars in wake of going public

by Jack Hayes

OKLAHOMA CITY — Eight months after going public, Sonic Corp., operator of the 1,112-unit drive-in chain, thanked investors by ending its first year as a public company with a double-digit surge in revenues and a triple-digit explosion in net income.

For the year ended Aug. 31, Sonic posted a net income of $3.1 million, a gain of 230 percent from the prior-year figure, on revenues of $53.9 million, up 17.4 percent.

For the last three months of fiscal 1991, Sonic's revenues totaled $15.6 million, a 20-percent increase over the $13 million reported for the final three months of fiscal 1990. Net income for the period was $1.4 million, for a 213-percent spurt.

Analysts were impressed with the year-over-year sales gains of Sonic Drive-In units, whose competitors have complained about flat traffic. The chain's 80 company-owned stores had average volumes of about $480,000.

"You've got to talk about same-store sales being strong, as strong as anybody's else's," said David Geraty, restaurant analyst at Nashville, Tenn.-based Equitable Securities. "Last year they were up 13.5 percent. And they started the new year up close to 7 percent."

"I've heard other chains complain about September," added Becky Barfield of New York-based First Boston Securities. "But Sonic's same-store sales were up 7 percent for the month."

Clifford Hudson, Sonic's senior vice president for corporate development, said the fourth-quarter and fiscal-year revenue spurts came from a combination of same-store sales growth plus the addition of company and franchised units.

"We've been in small-town America 30 years," Hudson explained. "Sixty percent of our stores are in cities of 50,000 or less. But we're going into the major markets now."

Sonic turned eight franchised locations into company units and added four more company stores in fiscal 1991, Hudson noted. Franchisees stepped up store development as well, opening four more units last year than they did in fiscal 1990. The system closed its year with 1,112 stores, a net of 69 more units than it had in 1990.

"The IPO gave them the money for this," Geraty said. "And the new stores have higher volumes and better profits."

Sonic went public in February, raising $30 million on its offering, priced at $12.50 a share. Part of that cash funded store growth, and another portion went to retire existing debt.

Geraty said Sonic's revenues also grew from royalty increases. Provisions in the franchise agreement allow for an attractive buy-in with steady, gradual rate hikes. "Royalties will grow another 20 percent next year," he predicted.

Meanwhile, Hudson observed, the revenue surge boosted Sonic's marketing power. And analysts concurred.

"You have to talk about the impact of advertising," Geraty remarked. "In television dollars alone Sonic's ad spending went from $6 million in 1989 to $10.5 million during 1991. As system sales go up, the advertising budget grows. By 1995 the budget will be $30 million."

FOOD PRICE OUTLOOK

Orange juice prices may be on the rise

by Patt Patterson

There's good news and bad in the frozen concentrated **orange juice** outlook. The bad is that Florida won't have quite the heavy production that early forecasts predicted. So prices will undoubtedly move up; futures prices already have.

The good news is that higher prices for juice may free up more Brazilian juice. Brazil's producers have been stingy with sales recently, but higher prices might increase the supply, which would help stabilize prices here.

Although **tomato** processing in California started out late and was running well behind until the middle of September, it's catching up with last year's bumper totals. Starting late because of weather, the harvesting has been continuing in October's warmer than normal temperatures, and tonnage totals have been catching up with 1990's.

If you use **olives** in your operation, brace yourself. This is one of the smallest harvests in several years. The industry expects it to run between 50,000 and 60,000 tons, at best less than half of last year's 131,000 tons. Add to this the fact that the sizes in most demand for foodservice are in short supply, and you're going to see higher prices.

Frozen **french fries** are at about their lowest prices (f.o.b. processors) in the past decade. This year, for a change, there's plenty of Grade A product around, with Grade B a bit on the short side.

Lettuce production continues in the Salinas and Santa Maria areas of California, but will soon move into the San Joaquin Valley. Growers report they've had adequate water in the Huron area there. Prices, except for a few brief run-ups, have generally stayed low for iceberg and very low for leaf lettuces. Huron acreage and desert plans indicate moderate prices through the end of the year if nothing untoward happens.

FACT FILE

Keep 'em coming!
(number of customers per day)

Cracker Barrel	1696
Ryan's	1292
Shoney's	1166
Buffets	1005
Spaghetti Warehouse	989
Regas Grill (Brinker)	959
Quincy's (TW)	950
Bakers Square (VICORP)	923
Village Inn (VICORP)	869
Denny's (TW)	823
Chili'e (Brinker)	753
Macaroni Grill (Brinker)	738
Sizzler	734
Pizzeria Uno	698
IHOP	660
Bertucci's	623
Applebee's	621
Outback Steakhouse	442
Chart House	233

Source: Montgomery Securities

FINANCIAL DIGEST

Lower costs boost Southwest Cafes' net

DALLAS — Southwest Cafes said net income for the first quarter ended Aug. 19 jumped 46 percent, to $516,000, on a 3-percent gain in revenues, to $21.5 million.

The company attributed its profit gain to decreased labor and food costs.

Sales from company-owned stores increased 2.5 percent, to $20.2 million. Franchisee-generated income rose to $462,000 from $382,000 a year ago.

Southwest Cafes, formerly known as El Chico Corp., operates and franchises 90 units of six different concepts: El Chico, Cantina Laredo, Casa Rosa, Lupita's, Cuellar's Cafe and Texana Grill.

Applebee's franchisee plans IPO

MADISON, Ga. — Apple South Inc., the largest franchisee of Applebee's International, has applied to the Securities and Exchange Commission to issue publicly traded stock.

The company, which operates 40 of the system's 180 stores, is looking to raise $13 million in an initial public offering of 1.3 million shares.

Apple South is hoping to sell the shares at $11 to $13 a share. The proceeds will be used to pare down debt and raise working capital.

Tom E. Dupree, chairman and chief executive and holder of a 91.7-percent interest in the company, plans to sell 300,000 of the shares he holds, reducing his stake to 60.8 percent.

Apple South's IPO follows by nearly two years its franchisor's public offering.

Appel named controller of Cucos Inc.

METAIRIE, La. — Janice M. Appel has been promoted to controller of Cucos Inc.

Appel has held a variety of financial positions during her 10-year tenure with the company. She was most recently assistant controller.

Cucos operates 12 company and 19 franchised Sonora-style Mexican restaurants primarily in the Southeastern United States.

TW Holdings projects improved results

SAN FRANCISCO — TW Holdings predicts that its third-quarter results will be show an improvement over last year's performance because of the conglomerate's cost-control efforts.

TW is the operator of Denny's, Canteen Corp., Quincy's and some 480 franchised Hardee's units.

Chief financial officer Walter M. Brice explained that the company should report flat or slightly higher revenues and cash flow for the period ended Sept. 30.

The company's actual results will not be released until late this month, but Brice said there should be a "meaningful narrowing" of the gap between the company's cash flow for July and August 1991 and the amount reported for the same period of 1990.

For nearly 12 quarters TW Holdings has reported a string of losses and a burdensome debt load.

For the first half of the year, TW Holdings reported a 4.3-percent decline in cash flow compared with the results for the first six months of 1990.

Brice said he expects the company's performance to improve since labor productivity has increased, a variety of costs have declined, overall cost containment efforts were enforced and its troublesome Hardee's division posted an improvement in operations.

Brice also told stock analysts that TW Holdings will increase its capital spending next year, to $173.9 million, a 27-percent gain. He said the money would be used to build 58 new restaurants, remodel 168 old ones and procure the equipment for product rollouts.